The opinion in support of the decision being entered today is *not* binding precedent of the Board.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Ex parte TIMOTHY J. COONEY, RAYMOND GOSS, WILLIAM WARREN, THOMAS AKERS, and JASON HOLLAR

Appeal No. 2007-1110
Application No. 09/832,603
Technology Center 3600

Decided: September 24, 2007

Before TERRY J. OWENS, MURRIEL E. CRAWFORD and HUBERT C. LORIN, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

This is an appeal from a decision of the Examiner rejecting claims 1-20. 35 U.S.C. § 134 (2002). We have jurisdiction under 35 U.S.C. § 6 (b) (2002).

The invention is directed to a process for doing business comprising determining what a part ought to cost.

The claims are rejected as follows:

- Claims 1, 8, and 13-20 stand rejected under 35 U.S.C. §103(a) over Burns (U.S. Patent 5,189,606)[1] in view of Horie (U.S. Patent 5,546,564).
- Claims 2-7 and 9-12 stand rejected under 35 U.S.C. §103(a) in view of Burns, Horie, and Dudle (U.S. Patent 5,570,291)

We AFFIRM.[2]

The rejection of claims 1, 8, and 13-20 under 35 U.S.C. §103(a) over Burns and Horie.

Because Appellants argue claims 1, 8, and 13-20 as a group, pursuant to the rules, the Board selects representative claim 1 to decide the appeal with respect to this rejection, and claims 8 and 13-20 will stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2006). Claim 1 reads as follows:

> 1. A method of doing business in which the cost of a component, service or process is established by:

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[1] The Examiner erroneously stated the patent no. for this patent as 5,063,506 in the Final Rejection mailed July 15, 2005. The error was noted by Appellants on page 24 of the Appeal Brief, however, Appellants also erred in the correct patent no. in stating the Grounds of Rejection calling it U.S. Patent No. 5,062,102.

[2] In reaching our decision we have considered Appellant's Appeal Brief ("Appeal Br.," filed May 5, 2006), the Examiner's Answer ("Answer," mailed Oct. 4, 2006), and the Reply Brief ("Reply Br.," filed Oct. 27, 2006).

using a computerized process that includes databases from which aspects of the cost are capable of being determined, provided lowest cost potential design, lowest cost potential manufacturing practices, lowest cost potential supply chain management techniques, lowest cost potential labor rates, lowest cost potential uptimes and lowest cost potential yields are utilized;

determining, by the computerized process, a lowest potential cost for each of a plurality of aspects of the cost and totaling the lowest potential cost for each of a plurality of aspects, yielding the ought to be cost;

generating reports from said computerized process that include details of each aspect of the cost;

providing the reports to prospective suppliers of the component or service;

conducting discussions, with the prospective suppliers of the component or service, in an effort to gain concurrence on the fact basis of what the cost of the component, service or process ought to be;

conducting fact based discussions, with prospective suppliers of the component or service with whom concurrence on the cost has been reached, in an effort to reach an agreement on a price for the component, service or process based on the ought to be cost of the component, service or process.

A. Issue

The issue is whether Appellants have shown that the Examiner erred in rejecting the claims over the cited prior art.

B. Findings of Fact

The record supports the following findings of fact (FF) by a preponderance of the evidence.

Claim construction

1. Claim 1 describes a method of doing business in which the cost of a component is established by employing five steps.

2. The first step involves using a computerized process that includes databases from which aspects of the cost of a component can be determined. The lowest cost potential of the design, manufacturing practices, supply chain management techniques, labor rates, uptime, and yields are used to make that determination.

3. The second step yields an ought to be cost for the component involving using the computerized process to determine a lowest cost potential for each aspect of the cost of the component and then totaling the lowest cost potentials for each aspect of the cost of the component.

4. The third step involves using the computerized process to generate a report that includes details of each aspect of the cost, yielding the ought to be cost.

5. The fourth step involves providing the reports to prospective suppliers of the component.

6. The fifth step involves conducting discussions with prospective suppliers of the component in an effort to gain concurrence on the fact basis of what the cost of the component, ought to be.

7. The sixth step involves conducting fact based discussions with prospective suppliers of the component with whom concurrence on the cost has been reached in an effort to reach an agreement on a price for the component based on the ought to be cost of the component.

8. The claim does not define "lowest cost potential." The Specification does

not define "lowest cost potential." The plain meaning of "potential" is "that can, but has not yet, come into being; possible; latent; unrealized; undeveloped." See *Webster's New World Dictionary*, Third Ed., 1988, p. 1056, second definition for "potential"). Accordingly, the plain meaning of the phrase "lowest cost potential" is the lowest cost that has not but could come into being.

9. The claimed process leaves open the manner by which the lowest cost that has not but could come into being is to be determined.

10. The claim defines the "ought to be cost" as the total of the lowest cost that has not but could come into being for each aspect of the component.

11. The breadth of the claim is such that the method does not preclude consideration of supplier profit.

12. The claim makes no distinction between buyer cost and supplier cost.

13. The claim does not define the term "component". The Specification does not define the term "component." Accordingly, the term is given its plain meaning which is an element of a whole.

Obviousness

14. The Examiner provided an element-by-element analysis of the claims and showed where in Burns every element except determining, by the computerized process, a lowest potential cost for each of a plurality of aspects of the cost and totaling the lowest potential cost for each of a plurality of aspects, yielding the ought to be cost, is disclosed. The Examiner relied upon Horie to show that the claimed subject matter Burns did not disclose was known in the prior art. Answer 3-6.

15. Appellants argued that

- "lowest cost potential does not include profit" (Appeal Br. 25);
- "Burns is concerned about accurately predicting Buyer Cost, not Supplier Cost (Appeal Br. 25);
- Examples in Burns show "a method of obtaining costs for a construction project ... [which] will not yield a lowest cost potential, as one of skill in the art would recognize from the function being performed" (Appeal Br. 27);
- "Burns includes numerous additional examples of similar methods of estimating that do not result in identifying lowest-cost potential" (Appeal Br. 28);
- "Burns is concerned with construction projects, not individual components or services" (Appeal Br. 28);
- "the present invention would most certainly come up with a lowest cost potential that would be significantly lower than an application of actual cost of Burns' teachings" (Appeal Br. 28);
- "Horie teaches a costing method that utilizes a variety of calculations including weighed averaging, correcting, and estimating to estimate/calculate costs, which calculations and factors are incapable of yielding a lowest potential cost" (Appeal Br. 29);
- "Horie is concerned about accurately predicting Buyer Cost, not Supplier Cost" (Appeal Br. 29);
- "Horie sets forth a Buyer Cost estimating system that utilizes weighed averages and taking of ratios, which ... do not result in the lowest cost potential" (Appeal Br. 29);
- "Horie, like Burns, teaches a system that attempts to estimate actual Buyer Costs, including Supplier profits, and not lowest cost potential for Supplier Costs" (Appeal Br. 29);
- Both Burns and Horie teach tools utilized for budgeting, not tools that can be utilized to negotiate" (Appeal Br. 29);

- "By eliminating supplier profit, and utilizing lowest cost potential, a Buyer is able to identify and discuss areas for improved Supplier Cost ... with a Supplier to reduce the Supplier Cost and ultimately reduce the Buyer Cost, rather than dealing with a Supplier quote that hides the Supplier Cost and Supplier Profit" (Appeal Br. 30);
- "Horie and Burns ... accurately estimate Buyer Costs, without eliminating the hidden profit and Supplier Cost issues from the equation" (Appeal Br. 30);
- "Being accurate at determining the actual costs is unrelated to determining the lowest cost potential" (Appeal Br. 30); and,
- "Because an Oughta Cost, or ought-to-be-cost, is a value that is not an amount that one would actually pay a Supplier for an item because no Supplier Profit is included, and because Burns and Horie both estimate the actual Buyer Cost including the Supplier Profit, Burns and Horie do not teach or suggest obtaining an ought-to-be cost nor the lowest cost potential" Appeal Br. 30).

16. Appellants made similar arguments in the Reply Brief.

C. Principles of Law

Claim construction

1. "The Patent and Trademark Office ("PTO") determines the scope of claims in patent applications not solely on the basis of the claim language, but upon giving claims their broadest reasonable construction 'in light of the specification as it would be interpreted by one of ordinary skill in the art.' *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 [70 USPQ2d 1827, 1830] (Fed. Cir. 2004)." *Phillips v. AWH Corp.*, 415 F.3d 1303, 1316, 75 USPQ2d 1321, 1329 (Fed. Cir. 2005).

2. "The problem is to interpret claims 'in view of the specification' without unnecessarily importing limitations from the specification into the claims." *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1369, 67 USPQ2d 1947, 1950 (Fed. Cir. 2003).

Obviousness

3. "Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734, 82 USPQ2d 1385, 1391 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966). *See also KSR*, 127 S.Ct. at 1734, 82 USPQ2d at 1391 ("While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.") The Court in *Graham* further noted that evidence of secondary considerations "might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." 383 U.S. at 18, 148 USPQ at 467.

In *KSR*, the Supreme Court emphasized "the need for caution in granting a patent based on the combination of elements found in the prior art," *id.* at 1739, 82 USPQ2d at 1395, and discussed circumstances in which a patent might be determined to be obvious.

In particular, the Supreme Court emphasized that "the principles laid down in *Graham* reaffirmed the 'functional approach' of *Hotchkiss*, 11 How. 248." *KSR*, 127 S.Ct. at 1739, 82 USPQ2d at 1395 (citing *Graham v. John Deere Co.*, 383 U.S. 1, 12 (1966) (emphasis added)), and reaffirmed principles based on its precedent that "[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results." *Id.* The Court explained:

> When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, §103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

Id. at 1740, 82 USPQ2d at 1396. The operative question in this "functional approach" is thus "whether the improvement is more than the predictable use of prior art elements according to their established functions." *Id.*

D. Analysis

"Many of appellant's arguments fail from the outset because, as the solicitor has pointed out, they are not based on limitations appearing in the claims." *In re Self*, 671 F.2d 1344, 1348, 213 USPQ 1, 5 (CCPA 1982).

We have carefully reviewed Appellants' arguments. FF 15 and 16. No argument is based on a limitation that appears in claim 1.

Various alleged distinctions between the claimed invention and what the references disclose are argued.

One alleged distinction between the claimed invention and what the references disclose is that the claimed invention seeks to accurately predict supplier cost instead of, as with the references, buyer cost. However, there is no limitation in the claim limiting the method to predicting supplier cost. The claimed method seeks to use a computerized process to determine the lowest cost potential for aspects of the cost of a component or service. Nowhere in the claim is this determination defined in terms of supplier cost. The supplier is mentioned only later in the claim with respect to conducting discussions. However, the claim does not define the earlier lowest cost potential as an accurate prediction of supplier cost.

Another alleged distinction is that the claimed invention excludes supplier profit from the calculation of the lowest cost potential. We see nothing about profit, or its exclusion, in the claim. Moreover, the phrase "lowest cost potential" is nowhere defined in the Specification as excluding supplier profit. The broadest reasonable construction of the claim in light of the Specification as it would be

interpreted by one of ordinary skill in the art is that it would include any aspect of the cost of a component or service that one would have to include to reach the lowest cost potential of the component or service and, ultimately, its ought to be cost. Given that construction of the phrase, supplier cost, if necessary to make that calculation, would be covered by the claim.

The same reasoning applies to another alleged distinction – that the references seeks an accurate determination of actual costs which is unrelated to determining the lowest cost potential as the claim describes. The broadest reasonable construction of the claim in light of the Specification as it would be interpreted by one of ordinary skill in the art is that it would include any aspect of the cost of a component or service that one would have to include to reach the lowest cost potential of the component or service and, ultimately, its ought to be cost. Given that construction of the phrase, actual cost, if necessary to make that calculation, would be covered by the claim.

Appellants also argue that the claimed invention leads to a lowest cost potential that would be significantly lower than an application of actual cost as would determined by the applying the methods of the references. Appellants also argue that the references are "incapable of yielding a lowest cost potential." In that regard, Appellants reproduce examples from Burns and disclosure from Horie to explain why they lead to a determination of a cost that is not the lowest cost potential. Appeal Br. 25-29. The difficulty with this argument is that the claim does not limit the factors that may be considered in determining a "lowest cost potential." There is nothing in the claim that excludes considerations of

environmental cost, historical costs, escalation modifiers, among many other factors that Appellants have singled out as being disclosed in the references to estimate cost.

Another alleged distinction is that the claimed invention is directed to components and service and not, as with Burns, construction projects. Again, we see nothing in the claim that excludes construction projects. There is no indication in the claim, or anywhere in the Specification, that the terms "component" and "service" should be given a meaning other than the plain meaning that one of ordinary skill in the art would give them. In that regard, a component is simply a part of a whole. Since a construction project can be part of a bigger project, and often is, the claim encompasses the project Burns is directed to.

Finally, another alleged distinction is that the claimed invention involves tools to negotiate rather than, as with Burns and Horie, for budgeting. But we do not see that the tools as broadly described in the claim exclude the tools Burns and Horie use. A distinction based sole on an intended use is not patentably consequential.

E. Conclusion of Law

On the record before us, Appellants have failed to show that the Examiner erred in rejecting the claims over the prior art.

The rejection of claims 2-7 and 9-12 under 35 U.S.C. §103(a) over Burns, Horie, and Dudle.

Because Appellants argue claims 2-7 and 9-12 as a group, pursuant to the rules, the Board selects representative claim 2 to decide the appeal with respect to this rejection, and claims 3-7 and 9-12 will stand or fall with claim 2. 37 C.F.R. § 41.37(c)(1)(vii) (2006). Claim 2 reads as follows:

> 2. In a computerized system, a method of determining what the cost of a part or service ought to be, the method comprising:
>
> establishing one or more databases that store a plurality costs distributed among each of a plurality of cost components that are utilized for producing parts and services, wherein the cost components include one or more of: design, manufacturing practices, supply chain management techniques, labor rates, uptimes, and yields;
>
> providing a database interface for the database that allows remote access by one or more users;
>
> establishing a set of computer screens, including input fields into which cost components are capable of being inputted either directly or through menus that display options that are capable of being selected, wherein the cost components are elements of cost areas such as material, labor, capital, manufacturing and overhead;
>
> for each cost area, totaling a lowest cost potential for each cost component, yielding a plurality of subtotals;
>
> totaling each of the plurality of subtotals, yielding a lowest potential cost that is the ought to be cost of the part or service.

A. Issue

The issue is whether Appellants have shown that the Examiner erred in rejecting the claims over the cited prior art.

B. Findings of Fact

The record supports the following findings of fact (FF) by a preponderance of the evidence.

1. We incorporate herein the facts under the Findings of Fact section for the rejection of claims 1, 8, and 13-20 above and add the following facts.

2. Appellants argued that "Dudle is concerned about accurately predicting Buyer Cost, not Supplier Cost." Appeal Br. 32. "Dudle sets forth a Buyer Cost estimating system that estimates costs for business supplies such as forms or labels, and does not teach or suggest obtaining the lowest cost potential." Appeal Br. 33.

3. The term "supplier" is nowhere mentioned in claim 2.

C. Principles of Law

We incorporate herein the principles of law under the Principles of Law section for the rejection of claims 1, 8, and 13-20 above.

D. Analysis

Appellants' arguments are unpersuasive in showing error in the Examiner's findings. Unlike claim 1 where the term "supplier" is at least mentioned, albeit in the context of the steps of negotiating and not in calculating the lowest cost potential, claim 2 makes no mention of a "supplier" at all. Accordingly, the argument (FF 2) that the claimed invention distinguishes over the prior art because it is concerned about accurately predicting buyer cost and not supplier cost is not commensurate in scope with what is claimed. The argument that the prior art

estimating system does not obtain the lowest cost potential is also not persuasive because there is nothing in the claim, nor does Appellants point to anywhere in the Specification, that defines the calculation of the lowest cost potential as one which would exclude estimating costs. On the question of how to calculate the lowest cost potential, the claim is quite broad. The scope of the claim is such that it encompasses the estimating techniques used in the prior art.

E. Conclusion of Law

On the record before us, Appellants have failed to show that the Examiner erred in rejecting the claims over the prior art.

DECISION

The Examiner's rejections of claims 1-20 are affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2004).

AFFIRMED

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